

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

JUN 03 2002

IN REPLY REFER TO:  
CN-020 1730

The Honorable Zach Wamp  
United States House of Representatives  
Federal Building, Suite 126  
900 Georgia Avenue  
Chattanooga, Tennessee 37402

Dear Congressman Wamp:

Thank you for your recent letter on behalf of your constituent, Mr. Kurt Hurtle, Vice President and General Manager of Dixie Industrial Coatings, Inc., in Chattanooga, Tennessee. Mr. Hurtle contacted your office regarding the proposed transaction involving EchoStar Communications Corporation ("EchoStar") and General Motors Corporation's subsidiary, Hughes Electronics Corporation ("Hughes Electronics"), which includes its satellite television unit, DIRECTV. Mr. Hurtle has raised a number of competition issues related to the proposed EchoStar-Hughes merger, and believes the Commission should carefully review the transaction.

As you are aware, General Motors Corporation and Hughes Electronics, along with EchoStar Communications Corporation, recently announced that they had entered into definitive agreements that provide for the spin-off of Hughes from General Motors and the merger of Hughes with EchoStar Communications. At the same time, the companies indicated that the proposed merger is subject to a number of conditions, including approval by the majority of each class of General Motors shareholders, and a favorable ruling from the Internal Revenue Service that the divestiture of Hughes will qualify as a tax-free event for federal income tax purposes.

The proposed EchoStar-Hughes transaction also is subject to regulatory review under the Hart-Scott-Rodino Act (conducted in this instance by the Department of Justice), as well as review by this Commission. Under the Communications Act, the Commission must approve any license transfers related to transactions involving our licensees. In order to expedite this process, the Chairman of the Commission recently established a special team of Commission staff to coordinate and oversee the Commission's review of the EchoStar-Hughes transaction. On December 3, 2001, the Commission received applications from Hughes Electronics and EchoStar requesting consent to the transfer of control of licenses and authorizations to a newly incorporated EchoStar Communications. On December 21, 2001, the Commission issued a notice seeking public comment on the proposed transfer of control filed by Hughes Electronics and EchoStar. Comments or petitions to deny the applications had to be filed with the Commission no later than February 4, 2002, and oppositions or responses had to be filed with the Commission no later than February 25, 2002.

After an initial review of the consolidated *Transfer of Control Application*, the Commission issued a request to the Applicants for additional information and clarification of certain matters. Among other things, the Commission asked the Applicants to provide additional information concerning the post-merger corporate structure, the effect of the Vivendi and PamAmSat transactions, the nature of current services offered by the Applicants and their competitors in the video programming, broadband, equipment, and fixed satellite service markets, and the technical efficiencies that may result from the proposed merger. The Applicants are in the process of supplying the Commission with documents and information in response to this request.

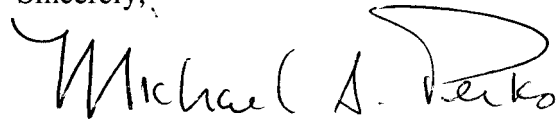
More recently, EchoStar and Hughes filed an application with the Commission to launch and operate NEW ECHOSTAR 1, a direct broadcast satellite designed to deploy spot-beam technology. The EchoStar/Hughes satellite proposal, conditioned upon the Commission's approval of the *Transfer of Control Application*, is intended to provide additional local broadcast channel programming capacity. Moreover, the Applicants indicate that when NEW ECHOSTAR 1 is combined and integrated with the other satellite assets of a merged EchoStar-Hughes entity, the merged entity will be in a position to serve all 210 Designated Market Areas ("DMAs") in the United States, including Alaska and Hawaii, with local broadcast service.

The issues raised and the claims made by the Applicants in the NEW ECHOSTAR 1 *Application* are directly related to a number of matters under consideration in the Commission's review of the Applicants' *Transfer of Control Application*. Thus, the Commission's Media Bureau has determined that the NEW ECHOSTAR 1 *Application*, together with the changes in the Applicants' position with respect to their ability and intention to provide local-into-local broadcast service in all 210 DMAs, constitutes a substantial amendment to the Applicants' proposed transaction. Accordingly, on April 19, 2002, the Commission issued a *Public Notice* seeking comment from interested parties on the NEW ECHOSTAR 1 *Application*. The comment period on the NEW ECHOSTAR 1 *Application* is scheduled to close on June 4, 2002.

In order to accommodate this pleading cycle established for the NEW ECHOSTAR 1 *Application*, the Commission will continue to stop the clock in the 180-day review period that governs the EchoStar/Hughes proceeding. The timeclock will remain stopped until the latter of the closing of the pleading cycle on the NEW ECHOSTAR 1 *Application* or upon receipt of sufficient information from the Applicants in response to the Commission's outstanding data requests discussed above.

Please be assured that the Commission will consider the complete record developed in the EchoStar-Hughes proceeding. Given the significant concentration that would result from this proposed merger, the Commission intends to examine closely the information filed by the applicants and any issues raised by the public.

Sincerely,

A handwritten signature in black ink, reading "Michael S. Perko". The signature is fluid and cursive, with a large, stylized "M" and a long, sweeping underline that extends to the right.

Michael S. Perko  
Chief, Office of Communications and  
Industry Information  
Media Bureau